



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 30, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

*Wendy L. Watanabe
by
Schneiderman*

SUBJECT: **AIDS SERVICE CENTER, INC. - A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS CARE SERVICE CONTRACT PROVIDER - FISCAL REVIEW**

We completed a fiscal review of AIDS Service Center, Inc. (ASC or Agency). The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with ASC, a non-profit organization, to provide services to eligible persons living with HIV/AIDS who are functionally impaired, and require intensive home and/or community-based services. DHSP Program services include mental health psychotherapy services, home-based care, and psychosocial case management services. Our review covered a sample of transactions from March 2010 through June 2011.

The purpose of our review was to determine whether ASC provided the services to eligible clients, and spent funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, ASC had three cost-reimbursement contracts with DHSP. DHSP paid ASC approximately \$1.1 million from March 2010 to June 2011. ASC provides services to residents of the Fifth Supervisorial District.

Results of Review

ASC recorded and deposited payments from DHSP timely, maintained the required personnel records, and the required documentation to support their Program

expenditures. ASC's Cost Reports also reconciled to the Agency's accounting records. However, the Agency did not comply with all of the County contract requirements. Specifically, ASC did not maintain income verification documentation for six (40%) of the 15 client files reviewed. In addition, ASC inappropriately allocated payroll costs to the Program based on their budget, instead of actual hours worked, and inappropriately billed \$328 in mileage reimbursements as telephone expenses.

ASC's attached response indicates they will ensure they update income verification documentation annually, will allocate payroll costs based on the actual hours worked on DHSP-related activities, and will repay DHSP the \$328 in mileage reimbursements.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with ASC and DHSP. ASC's attached response indicates that they agree with our findings and recommendations.

We thank ASC for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Larry Johnson, Chair, AIDS Service Center, Inc.
Alberto B. Mendoza, Interim President, AIDS Service Center, Inc.
Public Information Office
Audit Committee

**AIDS SERVICE CENTER, INC.
HIV/AIDS CARE SERVICES
MARCH 2010 TO JUNE 2011**

ELIGIBILITY

Objective

Determine whether AIDS Service Center, Inc. (ASC or Agency) provided services to individuals who met the Department of Public Health's (DPH) Division of HIV and STD Programs (DHSP) Program eligibility requirements.

Verification

We reviewed the case files for 15 clients who received services from March 2010 to June 2011.

Results

The case files for six (40%) of the 15 clients reviewed did not contain income verification documentation to support the clients' eligibility for Program services.

Recommendation

1. **ASC management ensure Agency staff obtain the appropriate documentation from clients to support their eligibility for Program services.**

CASH/REVENUE

Objective

Determine whether ASC had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, and cash receipts were deposited into the Agency's bank account timely.

Verification

We interviewed ASC's personnel, and reviewed the Agency's financial records and June 2011 bank reconciliation.

Results

ASC had adequate controls to ensure that revenue and cash were recorded properly, and deposited timely.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether ASC's Cost Allocation Plan was prepared in compliance with their County contract, and was used to allocate shared costs appropriately.

Verification

We reviewed ASC's Cost Allocation Plan, and a sample of shared costs ASC incurred from August 2010 to May 2011.

Results

ASC's Cost Allocation Plan was prepared in compliance with the County contract, and the shared costs were allocated to the DHSP Program appropriately.

Recommendation

None.

EXPENDITURES

Objective

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 16 non-payroll expenditures, totaling \$34,256, that the Agency charged to the DHSP Program from August 2010 through May 2011.

Results

The Agency inappropriately misclassified \$328 in mileage reimbursements as telephone expenditures. The \$328 exceeds the contract's mileage budget and, as a result, is not allowable.

Recommendation

2. ASC management repay DPH \$328.

PAYROLL AND PERSONNEL**Objective**

Determine whether ASC charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for seven employees, totaling \$21,789, from May 2011 to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

ASC inappropriately allocated payroll costs based on their budget, instead of actual hours worked. Although we determined that the variances for May 2011 were not significant, the Agency needs to ensure payroll costs are allocated based on the actual hours worked.

Recommendation

3. ASC management allocate payroll costs based on the actual hours worked on DHSP-related activities.

COST REPORTS**Objective**

Determine whether the Agency's Cost Reports reconciled to their accounting records.

Verification

We traced ASC's Cost Reports to their accounting records for February 2011, March 2011, and June 2011.

Results

ASC's Cost Reports reconciled to their accounting records.

Recommendation

None.



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Interim

December 8, 2011

Wendy Watanabe, Auditor Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe:

We are in receipt of the report on the fiscal review of AIDS Service Center, Inc (ASC or Agency) dated November 3, 2011.

ASC agrees with the findings and recommendations of the Los Angeles County Auditor Controller Office. There were three areas of recommended actions in the report and all have been addressed as follows:

Results, Recommendation and Response #1

The case files for six (40%) of the 15 clients reviewed did not contain income verification documentation to support their eligibility for program services.

Recommendation

- ASC management ensure Agency staff obtain the appropriate documentation from clients to support their eligibility for program services.

Response

- ASC's case managers will ensure that income verification is updated annually. The Program Director will review clients' documentation with the case managers in case conference and /or supervise to ensure that appropriate forms are in client files. Additionally, progress notes will reflect reasonable attempts to obtain these documents with homeless/transient clients.

Results, Recommendation and Response #2

The Agency inappropriately misclassified S328 in mileage reimbursements as telephone expenditures. The S328 exceeds the mileage budget and as a result, is not allowable.

Tel: 626.441.8495 | Fax: 626.441.5003 | aidservicecenter.org
909 S. Fair Oaks Ave., Pasadena, CA 91105

Recommendation

- ASC management repay DPH \$328.

Response

- ASC will repay DPH \$328.

Results, Recommendation and Response #3

ASC inappropriately allocated payroll costs based on budgeted estimates, instead of actual hours worked. Although, we determined that the variances for May 2011 were not significant, the Agency needs to ensure payroll costs are billed based on the actual hours worked.

Recommendation

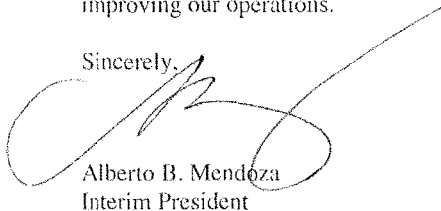
- ASC management allocate payroll costs based on the actual hours worked on OAPP related activities.

Response

- ASC will allocate payroll costs based on actual hours worked on OAPP related activities

The auditing team provide helpful information about how we could appropriately resolve these matters. Thank you for the assistance on better improving our operations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alberto B. Mendoza', is written over the printed name and title.

Alberto B. Mendoza
Interim President